

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 NEA-09 ISO-00 L-02 SP-02 AID-05 EB-07

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 COME-00

XMB-02 FRB-03 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

PRS-01 USIE-00 INRE-00 NSCE-00 SSO-00 /079 R

DRAFTED BY TREAS:DROSSO:SKG

APPROVED BY NEA/ARP:FMDICKMAN

TREAS:MR.SCHMULTS

TREAS:MR.ALBRECHT

TREAS:MR.MEEGHER

L/NEA:MR.HUFFMAN (SUBSTANCE)

E:MR.POATS (INFO)

S/S-O: P. JOHNSON

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O 110036Z APR 75 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA NIACT IMMEDIATE

INFO USMISSION OECD PARIS IMMEDIATE

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E.O. 11652: N/A

TAGS: EFIN, USSEC, US, SA

SUBJECT: MANAGEMENT EXPENSES FOR TRUST ACCOUNT

REF: JIDDA 2527

PLEASE PASS TO TREASURY REP BOWDEN FROM ROSSO AND POUNDS

OECD PASS TO TREASURY ASSTSECY PARSKY

1. STATE DEPT WOULD PREFER THAT ISSUE OF MANAGEMENT FEE

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FOR ADMINISTERING TCA TRUST ACCOUNT NOT ARISE AND THAT

SAUDIS AGREE, IN ACCORDANCE WITH VIEWS THEY EXPRESSED DURING EARLIER TCA NEGOTIATION, THAT FUNDS IN TRUST ACCOUNT NOT BE INVESTED. IN THAT CASE, NO CHARGE WOULD BE NECESSARY BECAUSE COSTS WOULD BE AMPLY COVERED BY VALUE OF INTEREST-FREE BALANCE.

2. STATE THEREFORE SUGGESTS YOU TAKE LINE WITH SAG THAT IN VIEW OF EARLIER EXPRESSED DISAPPROVAL OF INVESTMENT OF TRUST FUND MONIES, WE DO NOT PLAN TO INVEST THEM. YOU COULD POINT OUT THAT THIS COURSE HAS ADDED ADVANTAGE OF PROVIDING COVERAGE FOR SMALL MANAGEMENT COSTS INVOLVED IN ADMINISTERING TRUST ACCOUNT.

3. IF ON OTHER HAND SAG CHANGES ITS MIND AND DESIRES THAT TRUST FUND MONIES BE INVESTED, BELIEVE YOU SHOULD RAISE QUESTION OF MANAGEMENT FEE. ON ASSUMPTIONS GIVEN IN YOUR MESSAGE, BUREAU OF GOVERNMENT FINANCIAL OPERATIONS' COSTS ESTIMATED AT 2,500 DOLLARS PER ANNUM (NO ESTIMATE AVAILABLE FOR OFFICE OF SAUDI ARABIAN AFFAIRS). WE SEE THREE ACCEPTABLE WAYS TO RECOVER COSTS: (A) BY CHARGING TRUST ACCOUNT FOR ACTUAL DIRECT COSTS INCURRED PLUS OVERHEAD; (B) A FIXED FEE OF 25 DOLLARS FOR EACH DEPOSIT OR WITHDRAWAL TRANSACTION SUBJECT TO ANNUAL EVALUATION; OR (C) A FEE OF ONE-TENTH OF ONE PERCENT OF TOTAL DOLLAR WITHDRAWALS FROM TRUST ACCOUNT FOR PROJECT EXPENSES SUBJECT TO ANNUAL EVALUATION. ANY FEE OR COST WOULD BE CHARGED TO TRUST ACCOUNT AS DEDUCTION AGAINST INTEREST EARNINGS AND SHOWN ON SEMIANNUAL ACCOUNTING STATEMENTS. KISSINGER

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